reasonable prices. The Task Force has submitted its report to the Government on the 20th September, 2005.

The Government in consultation with various stakeholders is examining the recommendations of the Task Force. Based on this a new Pharmaceutical Policy is likely to be announced shortly.

VAT on medicines

316. SHRI TARIQ ANWAR:
SHRI UDAY PRATAP SINGH:

Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

(a) whether it is a fact that VAT is also applicable to life-saving medicines;

(b) if so, the details thereof;

(c) whether it is proper to charge VAT on medicines in the country like India where thousands of people die every year without medicines;

(d) whether Government are planning to abolish VAT on life-saving medicines; and

(e) if so, the details thereof and the names of such life saving-drugs?

THE MINISTER OF CHEMICALS AND FERTILIZERS (SHRI RAM VILAS PASWAN): (a) and (b) VAT, which has been implemented to replace the State Sales Tax Systems is basically a State subject under Entry 54 of List-II (State List) of the Constitution of India.

However, an Empowered Committee of State Finance Ministers (EC) was constituted in July, 2000, on the basis of resolution passed in the Conference of the Chief Ministers, to deliberate and decide upon all matters concerning Sales Tax and State VAT, including rates of tax on various commodities. This Committee as part of the exercise to simplify and rationalize the rates decided to tax all Drugs and Medicines (including life-saving drugs and bulk drugs) at a uniform VAT rate of 4%. As a result the tax rate on most of the drugs and medicines which was 8% under the Sales Tax System has come down to 4% under the VAT system. The rate of tax on life-saving drugs has however, increased from 0% to 4% under the new system compared to the earlier one.

(c) to (e) State VAT being a State subject, it is for the Empowered Committee or the State concerned to decide the rates of tax on various commodities including Life Saving Drugs. There had been a demand from various quarters for exempting VAT on Life Saving Drugs, as was the case under the old Sales Tax system. The Empowered Committee discussed this issue in the meeting held on 26th April, 2005 and decided to retain the tax on Life Saving Drugs at 4% alongwith all other Drugs and Medicines.

Closure of Drug Manufacturing units due to Government Policy

†317. SHRI RAJ MOHINDER SINGH MAJITHA:
DR. MURLI MANOHAR JOSHI:

Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

(a) whether it is a fact that medicine manufacturing units of Punjab, Haryana, Uttar pradesh, Madhya pradesh, Rajasthan, Andhra Pradesh, Maharashtra, Tamil Nadu and Gujarat are at the verge of closure due to Government policies;

(b) whether it is also a fact that organizations of these units have drawn the attention of Government in this direction; and

(c) if so, whether the crisis being faced by these units has been mentioned before Government and the action by Government in this regard?

THE MINISTER OF CHEMICALS AND FERTILIZERS (SHRI RAM VILAS PASWAN): (a) to (c) The Government has received representations regarding problems faced by manufacturing units in some of these States, consequent upon the levy of central excise duty on drugs on the retail prices in lieu of the earlier practice of levying central excise duty on ex-factory price. The problem has accentuated due to excuse duty exemption extended to Himachal Pradesh, Uttaranchal and Jammu and Kashmir on the one hand and levying of excise duty on retail prices of medicines.

This Department has examined the representations of these maufacturing units and has proposed the following measures to be considered by the Department of Revenue:

†Original notice of the question was received in Hindi.